Gender and Performance of Small Scale Enterprises in Kampala, Uganda

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ABSTRACT
This study sought to identify the effect of the gender of owner on the small scale enterprise performance in Kampala, Uganda. Using a four point Likert scale questionnaire to measure nonfinancial performance, a sample of 409 small businesses were considered with a response rate of 68.2%. The hypothesis: (i) There is a significant relationship between gender and performance, and (ii) There is a significant difference in performance between male owned and female owned businesses were stated. Using parametric statistical techniques such as PLCC, simple regression and the independent sample t-test, both hypotheses were accepted. The findings of this study indicated that gender significantly effects the performance the small business and that there is a significant difference in the levels of performance between male owned businesses and females owned businesses. Though the performance levels where high in both cases; the male owned businesses tend to perform better than their female counterpart.

Keywords: Gender, Small Business, Performance, Uganda

INTRODUCTION
In Uganda a Small business is defined as an enterprise employing a minimum of 5 peoples and a maximum of 50 people, with annual sales turnover of maximum 360 million Uganda shillings and total assets of maximum 360 million Uganda shillings (MFPED, 2008). The small business sector, like in other parts of the world, is seen as a vital contributor in the evolution to a market economy, through job creation and income generation among other factors (Hisrich and Ozturk, 1999). With 80 percent of SMEs located in urban areas such as Kampala (Hatega, 2007), they contribute approximately 75 percent of the gross domestic product (GDP) and employ approximately 2.5 million people (Osunsan and Sumil, 2012; Sands, 2012). This signifies their undisputed role in the economic development of Uganda.

Sands (2012) pointed out that Uganda is a patriarchal society where men are central in decision making. Women however play a significant role in economic development in most developing nations like Uganda (Ministry of Gender, Labour and Social Development, 1997). Though their contribution is hidden from the limelight of corporate and business works, their brisk understanding and participate in commerce cannot be undermine, in spite of the limitations they face. Chirwa (2008) citing Jiggins (1989) pointed out that 30 percent of rural households are headed by women, they contribute about 80 percent of agricultural labor; produce 60 percent of the food consumed in rural household and they generate more than a third of household incomes through several commercial activities. As the urban population continues to increase due to rural urban migration, the informal sector continues to be the most important income-earning area, particularly for women (Amu, 2005).

Women in Uganda until recently have only earned income from laboring in agriculture due to lack of formal employment. This however is changing due to the versatility displayed by
Ugandan women which has led to creating and operating competitive small businesses (Amine and Staub, 2009). Boohene, Sheridan and Kotey (2008) confirmed that Uganda’s economy continues to show fast expansion in comparison to other parts of the world. They also pointed out the fact that the private sector is progressively augmented by small businesses enterprise (accounting for 90% of the sector), of which 45% of the businesses are owned by women.

Most studies (Radipere and Dhliwayo, 2014; Fairlie and Robb, 2008; Collins-Dodd et al, 2004) concerning gender differences in small business performance have emerged from developed countries. Amran (2011) specifically pointed out that most of the studies on gender and performance are conducted in the United States, Canada, England and also developed nations, very few focus on developing nations, Africa or Uganda. The fact that there is a significant difference in the social and economic makeup of developed and developing nations call for studies in the context of developing nations where women are more marginalized (Chirwa, 2008).

The purpose of this paper is to provide additional evidence on the relationship between gender and performance and in small businesses in the context of Kampala, Uganda. Using a sample of small scale enterprises in Kampala, I sought to examine whether gender is a significant variable in explaining performance differences.

This paper is structured as follows. In section one, an overview on gender and performance are discussed. This is followed by literature review and hypothesis development in section two. Research methodology is then explained in section three. Section four highlights results and discussions. Lastly, section five covers the conclusion, limitations and future research in this area.

LITERATURE REVIEW

Gender

A generally accepted principle in the small business literature is that female business owners behave in a different way from male business owners and that several factors unique to women influence the strategies they adopt and ultimately the performance of their business (Boohene et al, 2008; Fairlie and Robb, 2008). Various studies indentify how gender impacts business in the aspects such as financial capital, education, and work experience; as well as accessing different business and investment social networks (Brush et al, 2004). Other studies show that less women show the propensity or desire to start up or own businesses, this is exacerbated by the finding that more women are less willing to be self-employed (Fairlie and Robb, 2008). Daniels (1999) for example, found in his study that 43 percent small businesses in Kenya where owned by women, and contributed 30 percent to the gross domestic product. In the case of Uganda, the MFPED (2008) stated that most of the enterprises (76 percent) were male-owned compared to only 16 percent that were owned by females. Ellis et al (2006) found that women make up 39 percent of businesses with registered premises, but noted that most female workers in Uganda are either unpaid family farm workers or are self-employed in the informal sector. Research conducted in other regions of the world according to Bardasi et al (2007) indicates that women are less likely than their male counterparts to own businesses. In the 40 countries incorporated in their study, the proportion of women entrepreneurs’ ranges from a low of 1.9 percent of adult women in Belgium to 49.9 percent in the Philippines. This is also confirmed by Allen et al (2007). Kelley et al (2013) farther confirmed this general pattern across the globe. However, Kelly, et al (2013) pointed out those sub-Saharan countries like Angola, Ethiopia, Nigeria, Zambia and South Africa, as well as regions such as Russia, Costa Rica and Thailand show equal percentages of men and
women managing their own businesses. On the other hand countries like Iran, Turkey, Palestine and Egypt show that less than two women for every 10 men own businesses (Kelly et al, 2013).

**Performance**

Studies on performance employ various measures (Radipere and Dhliwayo, 2014; Dele, 2012; Amran, 2011; Chong, 2008; Fairlie and Robb, 2008; Oesterle et al, 2008; Strivers et al, 1998). These measures can be summaries as financial and nonfinancial measures. Financial measures include cash flow, return on assets, and return on equity as a means of assessing firm performance. While the nonfinancial measure include aspects such as customer service, marketing effectiveness, human capital, strategy achievement, innovation, employee satisfaction, financial practice, processes, and corporate culture (Dele, 2012; Strivers et al, 1998).

Moini (1995) confirmed that organizational performance was conventionally measured using financial data such as returns on investment, revenue growth and market share and therefore suggested the addition of qualitative measures to provide insight into organizational processes and outcomes. Ittner and Larcker (2000) however argued that financial measures do not deal with advancement relative to customer need or competitors, nor other non-financial objectives that may be significant in achieving profitability, competitiveness and longer-term strategic goals. Chong (2008) offered a compromise by forwarding the used of both financial and non-financial data to measure performance. Dele (2012) gave a more liberal view by not undermining financial or non-financial measures, but by recommending them as possible substitutes. Oesterle et al (2008) argued that firm performance is a multi-dimensional construct which has to be operationalized logically. Oesterle et al (2008) assert that the measurement of firm performance shows that single indicators like profit, growth or market share are not suitable measures due to the multi-dimensional character of the construct “performance”.

The use of nonfinancial data was adopted in this study for several reasons. Several scholars (Strivers et al, 1998; Caves, 1998; Audretsch and Klepper, 2000) affirm that such nonfinancial measures have been endorsed by both academic and managers. They are that (i) Nonfinancial measures can be better indicators of both present and future financial performance, (ii) Nonfinancial data can provide indirect, quantitative indicators of a firm’s intangible assets, and (iii) nonfinancial measures are less susceptible to external ‘noise’ than accounting measures. Noise being change in performance measure that cannot be controlled by business owner, such as changes in the economy or even luck. Secondly, the perceived measure of performance (perceived performance) was used as a substitute to financial data as recommended by Dele (2012). This is due to limitations of financial data as pointed out by Ittner and Larcker (2000) and as experienced by Easete (2005) and Rooks et al (2009) in the case of small businesses in Uganda. Small businesses are reluctant to share their financial data due to several reasons (Easete, 2005; Rooks et al, 2009), including no financial records, poor financial record keeping or manipulated books for the sake of tax evasion to mention a few.

**Gender and Performance**

A consensus is held by several studies (Radipere and Dhliwayo, 2014; Amran, 2011; Chirwa, 2008; Abor and Bickpe, 2006; Fahed-Sreih and Djoundourian, 2006) is that gender plays a significant role in business performance. Chirwa’s (2008) study in Malawi found that the relationship between gender and business performance is complex. It found that there are no significant differences in profit margins and that female-owned enterprise tend to grow faster
in terms of employment than male-owned ones. Amran’s (2011) study in Malaysia on gender and age on firm performance found that both gender and age have significant effects on performance. Similarly Radipere and Dhlwaiyo’s (2014) study on gender and education of small business owner in South Africa found that there was a significant effect between gender and business performance. This study therefore hypothesized that:

H1: There is a significant relationship between gender and performance

In general, past studies (Radipere and Dhlwaiyo, 2014; Amran, 2011; Abor and Bickpe, 2006; Fahed-Sreih and Djoundourian, 2006; Robb 2002; Robb and Wolken 2002) carried out on differences in firm performance by gender revealed that women-owned firms were more likely to have lower levels of sales, profits, and employment and are more likely to fail. With reference to Lerner et al (1997), factors such as social learning, human capital, network affiliation, motivations and goals, demographics and environmental factors play a major role in the performance of the female owned businesses. Fahed-Sreih and Djoundourian’s (2006) study carried out in Lebanon showed a less pessimistic outlook but still emphasized the role of a male in the business. Alowaihan (2004) echoed the same sentiment as Lerner et al (1997), finding that female business owners have less business experience, suffered more from liability of newness and their financial performance was considerably lower than male owned businesses.

Studies on gender and performance can be divided into three groups; those that show that female owned business perform poorer than their male counterpart (Abor and Bickpe, 2006; Alowaihan, 2004; Robb, 2002; Fasci and Valdez 1998), those that show that there is no significant difference in performance between male and female owned businesses (Farrell & Hersch, 2005; Watson, 2002), and those that show that female owned businesses perform better than their male counterparts (Fahed-Sreih and Djoundourian, 2006; Fiske et al, 2002; Berger, 1989). Abor and Bickpe (2006) provided evidence in the context of Ghana that female-owned small businesses are less likely than their male counterparts to employ debt financing due to the complexity associated with the process. All of which can contribute to poor performance. The majority of the studies point towards male-owned businesses performing better than their female counterpart. Based on the above arguments, this study hypothesized that:

H2: There is a significant difference in performance between male owned and female owned businesses.

METHODOLOGY

This study adopted an ex post facto, descriptive correlation, descriptive comparative and cross-sectional survey design. Data was collected using a combination of standardized and improvised questionnaires with questions relating to the demographic characteristics of respondent and business performance. The Cronbach’s Alpha reliability coefficient test (α=0.884) exceeded the reliability coefficient of 0.70 which was stipulated by Creswell (2003) as acceptable in most social science research. The content validity ratio (CVR) for the instrument on performance was 0.93 (Mean CVR=0.93). Lawshe (1975) argued that in the case of eight (8) subject matter experts, such as adopted in this study, a minimum CVR value of 0.75 is acceptable; this is also confirmed by Allahyari et al (2011).

The target population in this study involved 360,000 legally registered small businesses in Kampala, which is 45% of approximately 800,000 legally registered small businesses in Uganda (MFPED, 2008; Kasekende and Opondo, 2003). The Slovin’s formula was thus given as by Serakan (1992) cited in Dionco-Adetayo (2012): n = N / (1 + N × e²). Where n is
the sample size, \( N \) is the population size, and \( e \) is the margin of error. Applying 5% error margin Slovin’s formula recommended a minimum sample size of 400. In order to lessen the low response rates common in research of this nature (Forsman et al, 2002; Hashim and Hassan, 2008) 600 questionnaires were sent out to respondents.

Rooks, et al (2009) argued that a robust sample is hard to acquire in studies involving small businesses in Uganda, because most of them are not registered. This study therefore used purposive and simple random sampling techniques in ensure robustness. The purposive sampling was utilized to select the respondents based on these criteria: (i) the administrative divisions of Kampala: Kampala Central, Kawempe, Nakawa, Makindye and Lubaga; (ii) Legally registered small enterprises; managed by the owner; and (iii) employs 5 or more and 50 or less people.

The total tally of attained response from the respondents was 409; this exceeded the minimum requirement of 400 as computed by the Slovin’s formula. The overall response rate was 68.2% (409), thus meeting (and exceeding) the requirement as indicated by Holbrook et al (2007), that emphatically stated that response rate lower than 54% were minimally less accurate. Unlike Chirwa (2008) who focused on 3074 non-farm micro and small enterprises (MSEs) in Malawi; Collins-Dodd et al (2004) that used a sample of 160 sole proprietors in Canada; Radipere and Dhlwayo (2014) that used a sample of 500 Small Medium Sized Enterprises (SMEs); and Boohene et al (2008) that focused on 600 small retail shops in Ghana. This study used only registered small enterprises in Kampala. This study unlike Amran (2011) used nonfinancial indicators to measure performance; and like Radipere and Dhlwayo (2014), it used Likert scales to measure performance of small businesses. Radipere and Dhlwayo (2014) used a six point scale; this study however, used a four point Likert scale ranging from a minimum of one (strongly disagree; very low) to a maximum of four (strongly agree; high).

The more potent parametric statistical techniques were used due to the fact that the data met the stipulated requirements, such as normal distribution and sample size exceeding 30 respondents (Pallant, 2009). Analysis was carried out using Pearsons linear correlations coefficient (PLCC) and a simple regression analysis to test hypothesis one (H1); an independent sample t-test was used to test hypothesis two (H2).

RESULTS AND DISCUSSION

Profile of Respondents

A majority of the business owners are male, 258 or 63.08%. This highlights the traditionally dominant role of men in Ugandan society and business generally; it also points to the resilient role of women and their gradual progression in the business arena (151 or 36.92%). Most of the business owner’s age were from 20-59 years and above, but more business owners were concentrated between the age range of 20-39 years old, this concentration indicates that most business owners are in early adulthood accounting for 235 (57.46%) of the respondents followed by those in middle adulthood (155 or 37.90%). Sole proprietorships made up a majority of 48.90% or 200 of the responding businesses, with Partnerships, 141 or 34.47% and (Limited) Companies were the least represented with 68 or 16.63%.

Relationship between Gender and Performance

\( H_1: \text{There is a significant relationship between gender and performance} \)
Table 1. Correlation between age and performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation</th>
<th>r</th>
<th>Sig</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender vs. Performance</td>
<td>-0.111**</td>
<td></td>
<td>0.025</td>
<td>Weak Correlation</td>
</tr>
</tbody>
</table>

n=409; **significant at 95% confidence level

The significant correlation in table 1 is a possible indicator that there could be a relationship between gender and performance of small businesses enterprises by confirming the association of the two variables. To confirm a causal relationship, a regression was carried out as displayed in table 2.

Table 2. Simple regression result of gender on performance

(a) ANOVA table

<table>
<thead>
<tr>
<th>Sums of Squares (SS)</th>
<th>Degrees of Freedom (df)</th>
<th>Mean Squares (MS)</th>
<th>F-statistic</th>
<th>Critical F Value</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.577</td>
<td>1</td>
<td>0.577</td>
<td>5.086**</td>
<td>0.012</td>
</tr>
<tr>
<td>Residual</td>
<td>46.150</td>
<td>407</td>
<td>0.113</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>46.726</td>
<td>408</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**significant at 95% confidence level

Table 2(a) confirms that the model is statistically significant, after a comparison of the F statistic and the Critical F value (from the F distribution table), it was evident that the F statistic (F=5.07) is larger than critical F value (F₁, 407; 0.05=3.84). It additionally indicates that the overall model explains 1.2 percent of the variance in performance. In others words 1.2% of the variance of performance can be accounted for by gender. Table 1(b) farther shows that gender has a significant negative relationship with performance.

(b) Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B*</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.537</td>
<td>0.050</td>
<td>0.00</td>
</tr>
<tr>
<td>1</td>
<td>Gender -0.078</td>
<td>0.035</td>
<td>-0.111</td>
</tr>
</tbody>
</table>

*Significant at 99; **significant at 95% confidence level

This suggests that the hypothesis (1) which states that: There is a significant relationship between gender and performance is accepted and the alternative rejected.

This findings agrees with Radipere and Dhliwayo (2014), Amran (2011), Chirwa (2008) Abor and Bickpe (2006), and Fahed-Sreih and Djoundourian (2006) all of who found in their studies that gender plays a significant role in business performance. Amran (2011) used two performance indicators, one of which had no significant effect (β=0.001, t=0.032). However, unlike Amran (2011) where the other performance indicator showed a significant positive relationship, this study found a significant negative relationship (β=−0.111, t=−0.025).
Difference in Performance between Male Owned and Female Owned Businesses

H2: There is a significant difference in performance between male owned and female owned businesses

Table 3. Independent samples t-test on business performance

(a) Group Statistics

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Mean*</th>
<th>Std. Deviation</th>
<th>t-value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>258</td>
<td>3.4590</td>
<td>0.33460</td>
<td>10.338</td>
<td>1</td>
</tr>
<tr>
<td>Female</td>
<td>151</td>
<td>3.3812</td>
<td>0.34036</td>
<td>9.934</td>
<td>2</td>
</tr>
</tbody>
</table>

Significant at 99% confidence level

(b) Independent samples Test

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal Variances Assumed</td>
<td>t</td>
<td>df</td>
</tr>
<tr>
<td>Performance</td>
<td>0.012</td>
<td>0.913</td>
</tr>
</tbody>
</table>

\[ t > 1.960; p < 0.05 \text{ at a 95\% confidence level} \]

Table 3(b) shows that there is a significant difference in the mean scores on the dependent variable (performance) for each of the two groups (male and female owners), because the t-test for equality of means shows that the sig (0.025) less than 0.05.

According to Pallant (2005) there are a number of different effect size statistics, the most commonly used being eta squared. Eta squared can range from 0 to 1 and represents the proportion of variance in the dependent variable that is explained by the independent group variable (male and female business owners). Cohen (1988) interprets the effect size as: 0.01=small effect, 0.06=moderate effect, 0.14=large effect. The formula is given as: \( \eta^2 = \frac{t^2}{t^2 + (N_1 + N_2 - 2)} \). Therefore, \( \eta^2 = 0.0124 \).

An independent-samples t-test was conducted to compare the performance levels for male-owned and female-owned small businesses. There was a significant difference in scores for males (\( M=3.46, SD=0.34 \)) and females (\( M=3.38, SD=0.34 \); \( t (407) =2.26, p =0.03 \)). The magnitude of the differences in the means was very small (eta squared=0.012). This therefore confirms that the hypothesis (2) which states that: There is a significant difference in performance between male owned and female owned businesses is accepted.

The significant difference in performance of male and female owned businesses indicates that this study supports previous studies (Rapidere and Dhliwayo, 2014; Amran, 2011; Abor and Bickpe, 2006; Fahed-Sreih and Djoundourian, 2006; Robb 2002; Robb and Wolken, 2002) that echo the same sentiments. It is important to note that businesses performance was
generally high in both the case of male and female owned businesses. However, the results suggest that male owned businesses perform better than their female counterparts as indicated on table 3(a). This finding is contrary to those studies (Fahed-Sreih and Djoundourian, 2006; Fiske et al, 2002) that point to female owned businesses perform better and those that claim there was no significant difference in male and female owned business performance (Farrell and Hersch, 2005; Watson, 2002). In this study there was a significant difference in performance and the better male performance could be explained by Quan (2012), who affirmed that males are more likely to display entrepreneurial intention; they are more opportunistic and are less risk averse in comparison to their female counterpart. The fact that males show more entrepreneurial intention is also documented in the study’s respondents profile with male ownership account for approximately 258 (63.1%).

CONCLUSION

This study sought to explore the effect of gender on performance by test two hypotheses: (i) there is a significant relationship between gender and performance, and (ii) there is a significant difference in performance between male owned and female owned businesses. The results show that there is a significant relationship between gender and performance, and that there is a significant difference in performance between male and male owned businesses. This study also indicated that male owned businesses tend to perform better than female owned businesses. Theses finding are in agreement with others studies of similar nature carried out in different parts of the world. This study however shows that businesses owned by men perform quite well (female mean = 3.38), just as well as that of their male counterpart (male mean = 3.46). Though several reasons have been given by scholars (Quan, 2012; Alowaihan, 2004; Fiske et al, 2002) to explain why this is so, hence the fact remains that female business owners need more educational, managerial, and financial support among others to help them rise to the level of their male counterpart, that is at least in Kampala. The high level of performance observed in female owned businesses could possibly indicate that there are some sectors where female owned business outperforms male owned businesses as hinted by (Fahed-Sreih and Djoundourian, 2006; Fiske et al, 2002; Berger, 1989).

The results from this study should be viewed as a contribution to the knowledge of gender and small business performance. The fact that the study is focused on Kampala indicates they cannot be generalized to other area where characteristics of business owners may vary. To farther advance knowledge in this area future research could choose to focus on a qualitative design; choosing a wider range of businesses (big, medium and small), from various sector and a board geographic scope.
REFERENCES


